

Message Text

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ACTION EB-08

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FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 4581

INFO ALL EC CAPITALS

AMEMBASSY PARIS

USMISSION GENEVA

UNCLAS BRUSSELS 01904

USEEC

PASS AGRICULTURE ELECTRONICALLY

PARIS ALSO FOR USOECD

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TAGS: EAGR, EEC

SUBJ: EC COUNCIL OF AGRICULTURAL MINISTERS APPROVES
GREEN RATE DEVALUATIONS

REF: (A) BRUSSELS 1566, (B) BRUSSELS 1693

1. BACKGROUND: AT THE JANUARY 23-24 MEETING OF THE
COUNCIL OF AGRICULTURAL MINISTERS, A 7.5 PERCENT OF
THE UK GREEN POUND AND A 6 PERCENT DEVALUATION OF THE
GREEN LIRA WERE APPROVED IN PRINCIPLE SUBJECT TO AD
REFERENDUM RESERVATIONS BY BELGIUM, THE NETHERLANDS
AND GERMANY (REF. A); THESE DELEGATIONS INDICATED THAT
THEY WOULD MAKE KNOWN THEIR FINAL POSITIONS BY JANUARY 29.

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AS REPORTED IN REF. B, UK AGRICULTURE MINISTER SILKIN
CARRIED OUT HIS THREAT TO BOYCOTT THE INFORMAL MEETING
OF EC FISHERY MINISTERS ON JANUARY 27 IN BERLIN.
SUBSEQUENTLY, THE THREE DELEGATIONS REFUSED TO WITHDRAW
THEIR RESERVATIONS ON JANUARY 29.

2. IN VIEW OF THIS IMPASSE, THE QUESTION OF GREEN RATE

DEVALUATIONS WAS BROUGHT UP AGAIN AT THE JANUARY 30-31 FISHERY COUNCIL. (FOR THIS PURPOSE, THE COUNCIL TRANSFORMED ITSELF INTO AN "AGRICULTURAL COUNCIL" FOR SEVERAL SESSIONS.) THE MINISTERS QUICKLY AGREED TO THE 6 PERCENT DEVALUATION OF THE ITALIAN LIRA. THIS MEASURE WAS ORIGINALLY TIED TO THE DEVALUATION OF THE GREEN POUND, BUT NO OBJECTIONS WERE RAISED TO IT IN THE COURSE OF THE COUNCIL DISCUSSIONS. DISCUSSIONS CONTINUED, HOWEVER, WITH RESPECT TO THE GREEN POUND AND IT WAS NOT UNTIL THE AFTERNOON OF JANUARY 31 THAT THE COUNCIL REACHED THE FOLLOWING COMPROMISE:

A. A 5 PERCENT DEVALUATION OF THE UK GREEN POUND WITH RESPECT TO PIGMEAT AND BEEF WILL GO INTO EFFECT FEBRUARY 1, 1978.

B. AN ADDITIONAL 2.5 PERCENT DEVALUATION FOR PIGMEAT AND BEEF AND A 7.5 PERCENT DEVALUATION FOR DAIRY PRODUCTS WILL GO INTO EFFECT AT THE SAME TIME AS 1978/79 PRICES FOR BEEF AND DAIRY PRODUCTS. ALTHOUGH THE NEW MARKETING YEAR FOR THESE PRODUCTS IS SCHEDULED TO BEGIN APRIL 1, COUNCIL DECISION ON FARM PRICES IS NOT EXPECTED UNTIL THE FIRST PART OF APRIL AT THE EARLIEST.

C. FOR ALL OTHER PRODUCTS, A 7.5 PERCENT DEVALUATION WILL GO INTO EFFECT AT THE START OF THE 1978/79 MARKETING UNCLASSIFIED

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YEAR.

3. UK MINISTER SILKIN DECLARED HIMSELF "MORE THAN SATISFIED" WITH THE COMPROMISE AGREEMENT. HE FELT THAT THE AGREEMENT WOULD MEET THE NEEDS OF THE HOUSE OF COMMONS. AT THE SAME TIME, SINCE THE DEVALUATION WAS STAGGERED BY COMMODITY, HE FELT IT WAS MORE SUITED TO UK NEEDS THAN THE "BLUNT INSTRUMENT" OF OVERALL GREEN POUND DEVALUATION. SILKIN SAID HE HAD GIVEN NO UNDERTAKING WITH RESPECT TO THE UK POSITION ON THE 1978/79 PRICE FIXING EXERCISE. HE REITERATED THE UK PREFERENCE FOR A PRICE FREEZE ON PRODUCTS IN SURPLUS, BUT SAID THAT THE FINAL PRICE DECISION WOULD, OF COURSE, BE THE RESULT OF COMPROMISE.

4. AS REPORTED IN REF. A, GERMANY, BELGIUM AND THE NETHERLANDS HAD FEARED THAT THE GRANTING OF A 7.5 PERCENT DEVALUATION AT THIS TIME WOULD LEAD TO A HARDENING OF THE UK LINE ON PRICES, THUS RENDERING A DECISION ON THE 1978/79 PRICE PACKAGE VERY DIFFICULT. THE COMPROMISE AGREEMENT MEETS THEIR CONCERNS TO SOME EXTENT IN THAT IT MAINTAINS A CERTAIN UK INCENTIVE TO

REACH AGREEMENT ON 1978/79 PRICES. HINTON

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